

1967 ANNUAL REPORT / ANHEUSER-BUSCH, INC.





MICHELOB... is available in bottles, cans and on draught. In its distinctive bottle and can, it is sold in six-packs and by the 24-unit case. On draught and in bottles, Michelob is featured by some of the most famous hotels and clubs in this country.

BUDWEISER... is available in bottles, cans and on draught. Both bottles and cans are available in six-packs and by the case.

BUSCH... is available in bottles, cans and on draught. Packaged in bottles and cans, it is available in six-packs and by the case.

*Budweiser,
Michelob,
Bud,
Busch
are registered
trademarks of
ANHEUSER-BUSCH, INC.*

DIRECTORS

*AUGUST A. BUSCH, JR.
Chairman of the Board
*AUGUST A. BUSCH III
*DAVID R. CALHOUN, JR.
JOHN FLANIGAN
*A. VON GONTARD
Vice Chairman of the Board
JOHN F. KREY II
H. NORRIS LOVE
*J. W. McAFFEE
*R. A. MEYER
JAMES B. ORTHWEIN
FREDERIC M. PEIRCE
W. R. PERSONS
WALTER C. REISINGER
*ETHAN A. H. SHEPLEY
*JOHN L. WILSON
Members of Executive Committee

OFFICERS

AUGUST A. BUSCH, JR.
President
R. A. MEYER
Executive Vice President
AUGUST A. BUSCH III
Vice President and General Manager
FRANK H. SCHWAIGER
Senior Vice President—Brewing
E. H. VOGEL, JR.
Vice President
HENRY N. McCLUNNEY
Vice President
ROBERT S. WEINBERG
Vice President
FRANK J. SELLINGER
Vice President
JOHN H. PAHLMANN
Vice President
GEO. W. COUCH, JR.
Vice President
JOHN FLANIGAN
Vice President
WALTER T. SMITH, JR.
Vice President
HUGO WANINGER
Vice President
OWEN RUSH
Vice President
RICHARD J. BENDER
Vice President
THOMAS R. SCANLAN, JR.
Vice President
DWIGHT D. INGAMELLS
Vice President
MRS. K. SIEBERT
Vice President and Secretary
REID McCURM
Treasurer
R. A. RAWIZZA
Assistant Controller
JOHN L. HAYWARD
Ass't Secretary & Ass't Treasurer
THOMAS J. CARROLL
Assistant Secretary
STUART F. MEYER
Assistant Secretary

Annual Report to Shareholders of ANHEUSER-BUSCH, INCORPORATED SAINT LOUIS, MISSOURI

STOCK TRANSFER AGENTS

ST. LOUIS UNION
TRUST COMPANY
510 Locust Street
St. Louis, Missouri

CHEMICAL BANK NEW YORK
TRUST COMPANY
20 Pine Street
New York, New York

STOCK REGISTRARS

MERCANTILE TRUST COMPANY
NATIONAL ASSOCIATION
721 Locust Street
St. Louis, Missouri

MORGAN GUARANTY TRUST
COMPANY OF NEW YORK
30 West Broadway
New York, New York

DEBENTURES—TRUSTEE, REGISTRAR AND PAYING AGENT

MANUFACTURERS HANOVER
TRUST COMPANY
40 Wall Street
New York, New York

CHEMICAL BANK NEW YORK
TRUST COMPANY
20 Pine Street
New York, New York

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On the front cover: a view of the Anheuser-Busch Texas plant at Houston from the main entrance gateway. The A & Eagle spectacular is located atop the brewhouse, and the beer brand names are mounted on the grains building.



THE ANNUAL MEETING
of the shareholders of the
Company will be held on
Wednesday, April 24, 1968
at 10:00 a.m., St. Louis time.
A notice of that meeting
and proxies on behalf of
the management will be
sent to the shareholders on
or about March 15, 1968.

THE PRESIDENT'S LETTER



February 9, 1968

To the Shareholders of Anheuser-Busch, Incorporated

The Company set new records for sales and earnings in 1967.

Total dollar sales were \$730,487,446 as compared with \$637,366,900 in 1966, an increase of 15%. Earnings were \$36,194,873, or \$3.27 per share, as compared with \$33,626,608, or \$3.05 per share in 1966, an increase of 7%.

Beer volume amounted to 15,535,390 barrels, reflecting an increase of 14% over 13,575,485 barrels sold in 1966. This increase compares with an increase of approximately 3% for the entire United States brewing industry. Each of our brands, Budweiser, Michelob and Busch, showed a volume increase over 1966. Profits contributed by our beer division in 1967 were \$4,731,577 greater than the profits of this division in 1966, an increase of 14%.

Our non-beer divisions posted substantial losses for 1967. These losses resulted principally from reduced selling prices and start-up costs of our new corn processing plant at Lafayette, Indiana, which began production in the early part of 1967. During the third and fourth quarters of 1967 the operations of these divisions benefited from lower corn costs, but selling prices remained very uncertain. Sales of our non-beer divisions in 1967 accounted for 12% of corporate net sales.

During 1967 our expansion program to meet heavy consumer demand for our beer products continued. The expansions of our Newark and Los Angeles breweries were completed early in the year. Our Houston brewery expansion is complete, and construction of our new brewery at Columbus, Ohio is on schedule and will be completed by spring of this year.

Our can manufacturing facility, Lianco Container Corporation, was substantially completed in 1967. Full production of this facility is expected in the second quarter of 1968.

In December, 1967 we broke ground for the construction of a new brewery at Jacksonville, Florida. We expect this brewery to be in production by the second quarter of 1969.

In January of this year we announced that we had obtained options on land as a site for the construction of a new brewery in Merrimack, New Hampshire. We expect that construction of this facility will begin later in 1968.

In July, 1967 the Company borrowed \$50-million through the sale of its 6% Debentures due July 1, 1992. The proceeds of this borrowing will be used, along with our other funds, for expansion of our facilities, including those mentioned above.

In its January meeting your Board of Directors recommended that the common stock of the Company be split 2 for 1 and that requests for the necessary approvals be submitted to the shareholders at their meeting April 24, 1968.

I want to extend to our shareholders our sincere appreciation of their confidence in and support of management. We will do our best to continue to earn this confidence in 1968.

Respectfully submitted,

A handwritten signature in blue ink that reads "August A. Busch, Jr." It is written in a cursive style with a large, stylized "A" and "B".

August A. Busch, Jr.
President and Chairman of the Board

THE YEAR AT A GLANCE

YEAR ENDED DECEMBER 31

	1967	1966
Barrels of beer sold	15,535,390	13,575,485
Sales	\$730,487,446	\$637,366,900
All taxes	218,149,866	191,624,892
Per share	19.70	17.37
Net earnings	36,194,873	33,626,608
Per share	3.27	3.05
Cash dividends paid by Anheuser-Busch, Inc.	13,146,457	10,805,980
Per share	1.20	1.00
Capital expenditures	85,415,509	89,671,222
Provision for depreciation charged to operations	23,523,698	18,955,224

FINANCIAL CONDITION AT DECEMBER 31

Working capital	104,251,970	85,988,516
Plant and equipment, net	306,475,525	244,883,164
Long-term debt	147,898,000	99,293,000
Shareholders equity	255,358,660	231,437,860
Per share	23.06	20.98
Number of employees	9,986	9,793
Number of shareholders	18,143	18,442

REVIEW OF THE YEAR...1967

This report includes the operations of the subsidiaries acquired by the Company in 1967, Manufacturers Railway Company and St. Louis Refrigerator Car Company, on a pooling of interests basis.

In 1967 the operations of the St. Louis National Baseball Club, Inc. (Cardinals) have been included in the financial statements for the first time. Operations of the Cardinals have not been fully consolidated but have been included as a separate item in the income statement and on the balance sheet.

All years prior to 1967 have been restated to include the appropriate financial data of Manufacturers Railway Company, St. Louis Refrigerator Car Company, and St. Louis National Baseball Club, Inc. to make these years comparable with 1967.

The following summary compares the operations of 1967 with 1966:

	In Thousands		
	1967	1966	Change
Barrels sold (all beers).....	15,535	13,575	1,960
Net sales	\$554,880	\$485,063	\$69,817
Cost of doing business.....	487,730	421,576	66,154
Income before taxes.....	67,150	63,487	3,663
Tax provision	30,955	29,860	1,095
Earnings	36,195	33,627	2,568
Per share	3.27	3.05	.22

Cash dividends of \$1.20 per share were paid in 1967. The Company paid cash dividends in each of the past 35 years, plus stock dividends in the years 1953, 1954 and 1966.

Condensed statement of beer volume and consolidated earnings by quarters is shown below:

	In Thousands			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Barrels sold (all beers)...	3,391	3,924	4,262	3,958
Net sales	\$120,917	\$139,945	\$153,536	\$140,482
Depreciation provision	5,130	5,963	6,338	6,093
Income before taxes	13,287	14,720	22,314	16,829
Earnings	6,976	8,259	11,577	9,383
Per share63	.75	1.04	.85

Return on average invested capital for the year was 14.9% compared with 15.3% for 1966, and the ratio of earnings to net sales was 6.5% compared with 6.9% for 1966.

WORKING CAPITAL

Working capital at December 31, 1967, was \$104,251,970 and working capital ratio was 3.2 to 1. Cash and marketable securities aggregated \$65,024,952.

The following statement summarizes the flow of funds for 1967:

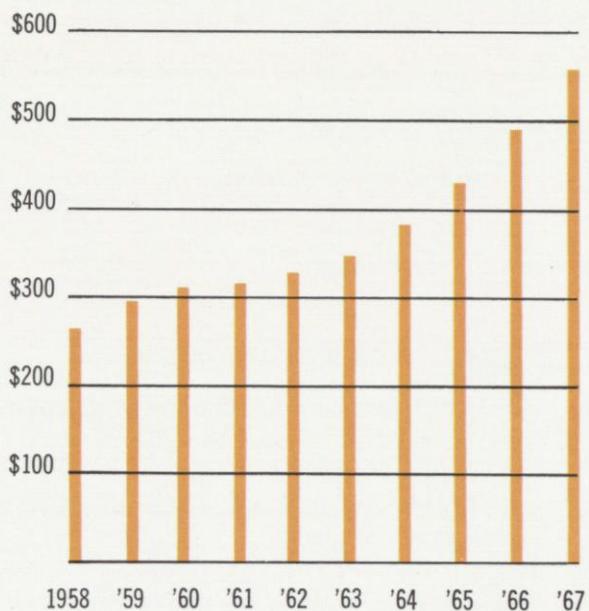
	In Thousands
	1967
SOURCE OF FUNDS	
Net earnings	
Non-cash charges against income.....	\$ 36,195
Sale of debentures	33,033
Sale of common stock under option plans.....	50,000
Other	1,069
Total.....	299
	120,596
DISPOSITION OF FUNDS	
Additions to property accounts	85,415
Dividends paid	13,343
Investments and other assets.....	2,179
Long-term debt reduction	1,395
Total.....	102,332
Working capital increased	\$ 18,264

PROPERTY

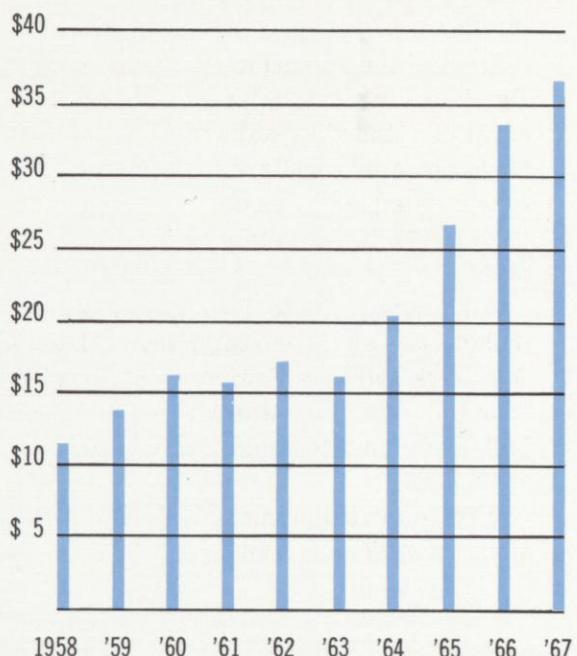
The following schedule presents capital expenditures and depreciated values for the past five years:

	In Thousands	Depreciated Value	December 31
	Additions		
1963	\$ 15,476	\$134,644	
1964	25,731	145,135	
1965	47,953	175,291	
1966	89,671	244,883	
1967	85,415	306,476	
Total.....		\$264,246	

NET SALES (*millions of dollars*)

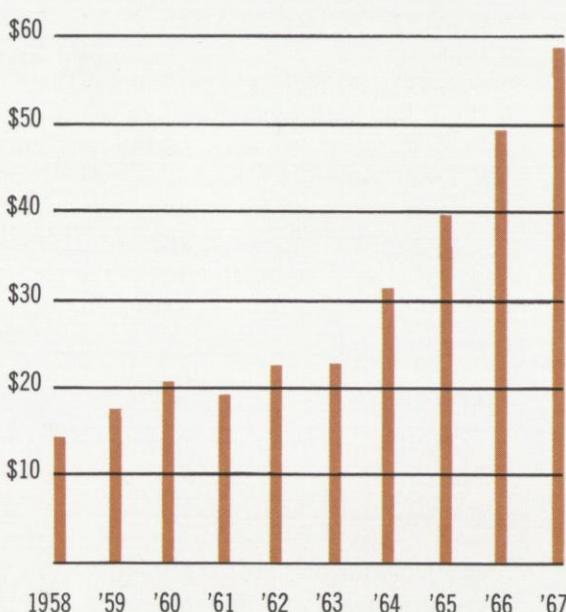


NET INCOME (*millions of dollars*)

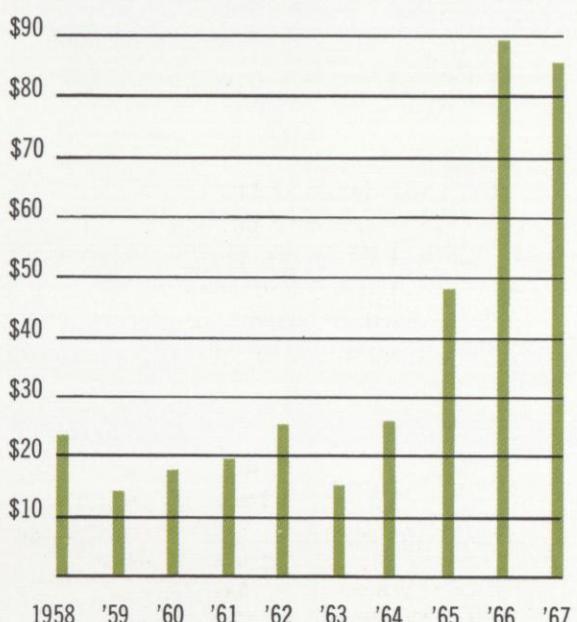


AMOUNT PROVIDED FOR EXPANSION

*Retained Earnings plus non-cash
charges against income* (*millions of dollars*)



CAPITAL ADDITIONS (*millions of dollars*)



REVIEW OF THE YEAR... (CONTINUED)

The Company uses guideline rates permitted by the Treasury Department in computing depreciation for tax purposes. The resultant tax reduction has been credited to deferred income taxes.

The Company follows the policy of deferring the income tax reduction provided by the investment credit provision of the Revenue Act of 1962. These deferred investment credits are reflected in income over the productive lives of the qualified property additions.

SALES DOLLAR ALLOCATIONS

Comparison of the changes in the analysis of the Company's sales dollar for 1967 and 1966 is shown below:

In Thousands				
	1967	%	1966	%
For materials and supplies....	\$264,759	36.2	\$231,754	36.4
To governments for taxes....	218,150	29.9	191,625	30.1
To employees for salaries, wages and benefits.....	115,777	15.8	101,746	16.0
For all other costs and expenses	95,606	13.1	78,616	12.2
Total costs and expenses....	694,292	95.0	603,741	94.7
Cash dividends paid to shareholders	13,343	1.8	10,955	1.7
Earnings retained in business..	22,852	3.2	22,671	3.6
Sales dollar	\$730,487	100.0	\$637,367	100.0

TAXES

Total taxes applicable to 1967 operations (not including the many hidden taxes included in materials and services purchased) amounted to \$218,149,866; direct taxes for the last three years were:

In Thousands			
	1967	1966	1965
Federal and state excise taxes on beer sold.....	\$175,608	\$152,304	\$131,652
Federal and state income taxes..	30,955	29,860	24,426
All other taxes	11,587	9,461	7,793
Total.....	\$218,150	\$191,625	\$163,871
Per share	19.70	17.37	14.92

SHAREHOLDERS

At the close of the year, shareholders numbered 18,143 compared with 18,442 at the end of 1966.

	Holders of Record	Shares Held
Men	5,111	1,590,796
Women	5,128	1,967,342
Joint names	5,599	653,614
Fiduciaries	1,393	2,030,715
Institutions, foundations, brokers, nominees and others	912	4,832,875
Total.....	18,143	11,075,342

EMPLOYEE RELATIONS

At December 31, 1967, employment was 9,986. Salaries and wages to officers and employees amounted to \$106,259,746. Pension, life insurance and welfare benefits aggregated \$9,518,052; payroll taxes totaled \$3,552,959.

FARM PRODUCTS

The American farmer supplies the domestic hops, barley, rice and other grains used in the production of beer, corn for various corn products, and molasses used in the production of yeasts.

Farm products purchased by the Company in 1967 had an aggregate value of \$66,541,900. Processing of brewers grains and corn produced 172,000 tons of high protein animal feed having a sales value of \$8,143,200.

In the brewing of Budweiser, the Company is one of the few breweries using rice exclusively as an adjunct grain to barley malt.

RESEARCH

In 1967, the research and development activities were reorganized to support the Company's search for product diversification. This reorganization has resulted in expanded efforts in both applied and exploratory research. In addition to the expansion and improvement of existing product lines, new efforts have been directed at upgrading by-products from our brewing and

corn refining operations. Of special importance is the start up of a program geared to the development of new food products to meet the demands of the consumer in the 1970's.

ST. LOUIS CARDINALS

During 1967 the St. Louis Baseball Cardinals won the National League Pennant and then went on to win the World Series. The Cardinals attracted 2 million fans to Civic Center Busch Memorial Stadium and earned \$881,535. These earnings have been included as a separate item in the consolidated financial statements.

MANAGEMENT CHANGES

During 1967 the following officer appointments were made:

April 26 — Mrs. K. Siebert,
Vice President and Secretary

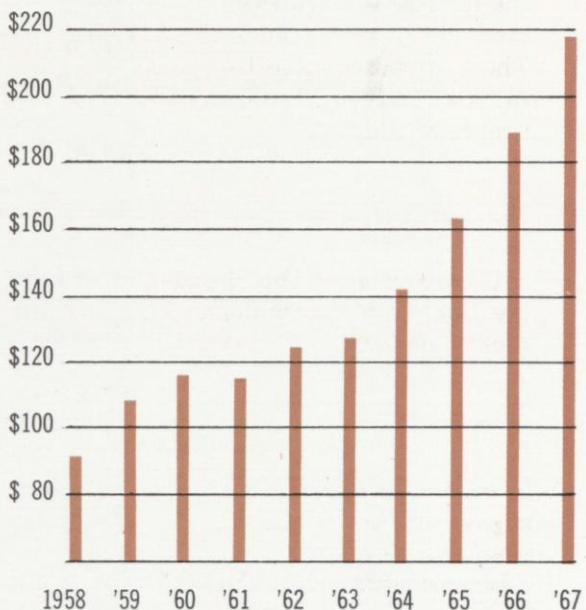
April 26 — Dwight D. Ingamells
Vice President

December 11 — John H. Pahlmann
Vice President

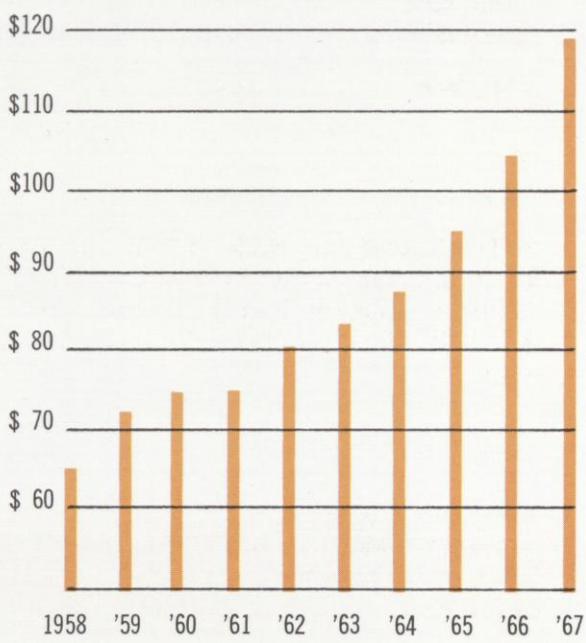
OTHER

During 1967 the shareholders of the Company approved an Agreement and Plan of Reorganization under which the Company acquired the assets of Adolphus Busch Estate, Incorporated for shares of common stock of the Company. These assets included controlling interests in Manufacturers Railway Company and St. Louis Refrigerator Car Company. The Company also acquired from other owners the remaining shares of these companies and they are now being operated as wholly-owned subsidiaries of the Company.

TOTAL TAXES PAID (*millions of dollars*)



TOTAL PAYROLL COST (*millions of dollars*)



CONSOLIDATED BALANCE SHEET



ANHEUSER-BUSCH,

ASSETS

	December 31 1967	December 31 1966
Current Assets:		
Cash (including certificates of deposit of \$24,527,034 in 1967 and \$27,015,064 in 1966).....	\$ 33,641,690	\$ 35,957,811
Marketable securities (short-term), at cost which approximates market	31,383,262	33,255,978
Accounts and notes receivable, less allowance for doubtful accounts of \$550,000.....	35,744,487	28,548,050
Inventories, at lower of cost or market, cost being determined under the "last-in, first-out" method for approximately 46% of total inventories in 1967—		
Finished goods	7,991,396	7,697,504
Work in process	10,233,484	9,142,240
Raw materials and supplies.....	32,802,404	27,572,781
Total current assets	151,796,723	142,174,364
Investments and Other Assets:		
St. Louis National Baseball Club, Inc. (Note 1).....	4,465,537	3,584,001
Lianco Container Corporation (Note 1).....	600,000	210,000
Civic Center Redevelopment Corporation (Note 2).....	1,287,500	2,525,000
Deferred charges and other non-current assets.....	9,190,047	7,045,076
	15,543,084	13,364,077
Plant and Equipment, at cost:		
Land	13,998,460	12,025,800
Buildings	158,061,047	110,292,388
Machinery and equipment.....	263,483,599	204,476,086
Construction in progress.....	45,880,166	73,072,494
Other real estate	2,350,005	2,798,535
	483,773,277	402,665,303
Less accumulated depreciation.....	177,297,752	157,782,139
	306,475,525	244,883,164
	\$473,815,332	\$400,421,605

INCORPORATED and subsidiaries

LIABILITIES	December 31 1967	December 31 1966
Current Liabilities:		
Current maturities of notes payable.....	\$ 288,000	\$ 288,000
Accounts payable	22,753,800	28,558,232
Accrued salaries and wages.....	5,747,148	5,308,516
Accrued taxes, other than income taxes.....	11,151,653	8,260,364
Estimated federal and state income taxes.....	3,666,732	10,504,383
Other current liabilities	3,937,420	3,266,353
Total current liabilities	<u>47,544,753</u>	<u>56,185,848</u>
Long-Term Debt:		
4 3/4% notes payable maturing 1969 to 1976.....	2,156,000	2,444,000
3 3/8% debentures maturing 1969 to 1977, less \$1,285,000 in treasury in 1967 and \$2,755,000 in 1966	12,110,000	12,130,000
4 1/2% debentures maturing 1969 to 1989, less \$1,368,000 in treasury in 1967 and \$281,000 in 1966	38,632,000	39,719,000
5.45% debentures maturing 1971 to 1991.....	45,000,000	45,000,000
6% debentures maturing 1975 to 1992.....	50,000,000	
	<u>147,898,000</u>	<u>99,293,000</u>
Accumulated Deferred Federal Income Taxes	<u>14,190,657</u>	<u>9,148,657</u>
Accumulated Deferred Investment Tax Credit Being Amortized	<u>8,823,262</u>	<u>4,356,240</u>
Shareholders Equity:		
Common stock, \$2 par value, authorized 15,000,000 shares; issued 11,210,439 shares (Notes 1 and 3).....	22,420,878	22,337,988
Capital in excess of par value (principally arising from stock dividends) (Note 3).....	67,853,296	66,867,645
Retained earnings (Notes 1 and 4).....	168,296,538	145,444,279
Less cost of 135,097 shares of treasury stock	258,570,712	234,649,912
	3,212,052	3,212,052
	255,358,660	231,437,860
	<u>\$473,815,332</u>	<u>\$400,421,605</u>

The above statement should be read in conjunction with the Notes to Consolidated Financial Statements appearing on page 14 of this report.



CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

	1967	1966
Sales	\$730,487,446	\$637,366,900
Less federal and state beer taxes.....	175,607,666	152,304,365
	<u>554,879,780</u>	<u>485,062,535</u>
Costs and Expenses (Note 6):		
Cost of products sold	408,058,598	351,598,072
Marketing, administrative and general expenses.....	78,766,149	70,580,929
	<u>486,824,747</u>	<u>422,179,001</u>
Other Income and Expenses:		
Interest income	2,315,167	3,614,916
Interest expense	(5,985,152)	(4,284,899)
Net income St. Louis National Baseball Club, Inc. (Note 1)	881,535	600,150
Purchase discounts, other income and expenses, net.....	1,883,723	673,105
Income before income taxes.....	<u>67,150,306</u>	<u>63,486,806</u>
Provision for Income Taxes:		
Current	25,913,433	27,548,598
Deferred	5,042,000	2,311,600
	<u>30,955,433</u>	<u>29,860,198</u>
Net income (per share: 1967—\$3.27; 1966—\$3.05)	36,194,873	33,626,608
Retained earnings at beginning of year (Note 1).....	145,444,279	122,772,784
Cash dividends:		
Anheuser-Busch, Incorporated—\$1.20 per share in 1967 and \$1.00 per share in 1966.....	13,146,457	10,805,980
Acquired companies	196,157	149,133
Retained earnings at end of year.....	<u>\$168,296,538</u>	<u>\$145,444,279</u>

The above statement should be read in conjunction with the Notes to Consolidated Financial Statements appearing on page 14 of this report.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS



Funds were provided by:

Operations —

	1967	1966
Net income for the year	\$ 36,194,873	\$ 33,626,608
Charges to operations not involving cash —		
Depreciation	23,523,698	18,955,224
Deferred income taxes	5,042,000	2,311,600
Deferred investment tax credit	4,467,022	1,908,867
	69,227,593	56,802,299
Sale of debentures	50,000,000	45,000,000
Proceeds from other long-term borrowings		1,500,000
Sale of common stock under option plan	1,068,539	1,390,469
Other changes, net	299,452	891,525
	120,595,584	105,584,293

Funds were applied to:

Capital expenditures	85,415,509	89,671,222
Cash dividends paid	13,342,614	10,955,113
Investments and other assets	2,179,007	311,245
Reduction of long-term debt	1,395,000	584,000
	102,332,130	101,521,580
Increase in working capital	\$ 18,263,454	\$ 4,062,713

INDEPENDENT ACCOUNTANTS OPINION...

To the Shareholders and Board of Directors
of Anheuser-Busch, Incorporated

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income and retained earnings and source and application of funds present fairly the financial position of Anheuser-Busch, Incorporated and its subsidiaries at December 31, 1967, the results of their operations and the supplementary information on funds for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

St. Louis
February 8, 1968

PRICE WATERHOUSE & CO.



TEN YEAR FINANCIAL SUMMARY

(Thousands)

Sales and Earnings

	1967	1966	1965
Barrels sold	15,535	13,575	11,841
Net sales	\$554,880	\$485,063	\$427,698
Depreciation	23,524	18,955	16,102
Direct payroll	106,260	93,895	85,809
Income before income taxes.....	67,150	63,487	51,158
Net income	36,195	33,627	26,732
Net income per share.....	3.27	3.05	2.43

Dividends (Anheuser-Busch, Incorporated)

Total cash dividends	13,146	10,806	9,491
Cash dividends per share.....	1.20	1.00	.88

Balance Sheet Information

Working capital	104,252	85,989	81,926
Plant and equipment, net.....	306,476	244,883	174,902
Capital expenditures	85,416	89,671	47,953
Long-term debt	147,898	99,293	53,497
Deferred federal income taxes.....	14,191	9,149	6,604
Deferred investment tax credit	8,823	4,356	2,447
Shareholders equity	255,359	231,438	207,376

1964	1963	1962	1961	1960	1959	1958
10,370	9,397	9,035	8,508	8,477	8,065	6,982
\$380,711	\$347,414	\$330,942	\$313,380	\$312,404	\$299,637	\$260,468
14,805	13,461	12,500	11,438	10,816	10,310	8,719
78,326	74,725	71,950	68,059	67,066	64,547	59,182
40,523	32,872	35,582	31,527	34,486	30,372	23,361
20,342	15,987	17,185	15,461	15,903	13,609	11,277
1.85	1.45	1.56	1.41	1.45	1.25	1.04
8,050	7,851	7,359	7,346	6,820	6,040	5,787
.75	.73	.68	.68	.63	.57	.55
95,436	54,757	49,938	54,491	51,846	49,226	44,818
144,368	133,544	131,970	120,310	117,073	110,799	107,215
25,731	15,476	25,094	19,945	17,176	14,357	23,248
55,760	18,049	19,584	21,102	24,493	25,716	25,760
3,575	50	25				
2,026	1,540	263				
191,363	179,246	171,247	161,558	153,309	143,564	135,748

Per share statistics have been adjusted to give effect to the two-for-one stock split and 10% stock dividend in 1965.

Restated for years prior to 1967 to include data for companies acquired in 1967 on a pooling of interests basis and the net income of St. Louis National Baseball Club, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the Company and all of its subsidiaries (St. Louis National Baseball Club, Inc. and Lianco Container Corporation) are included on an equity basis.

During the year the Company acquired, in exchange for 206,561 shares of its common stock, the net assets and business of Adolphus Busch Estate, Incorporated and its subsidiaries, Manufacturers Railway Company and St. Louis Refrigerator Car Company. This transaction has been accounted for as a pooling of interests and, accordingly, the consolidated financial statements include operations of these companies for 1967 and 1966.

In 1967, the Company changed from the cost to the equity method of accounting for its investment in St. Louis National Baseball Club, Inc. The consolidated financial statements for 1967 and 1966 (restated) include the net income of the St. Louis National Baseball Club, Inc. Retained earnings at January 1, 1966 has been restated to include \$548,727 of accumulated earnings of St. Louis National Baseball Club, Inc. from date of acquisition to December 31, 1965.

NOTE 2 — CIVIC CENTER REDEVELOPMENT CORPORATION:

The Directors have authorized a contribution of the Company's \$4,950,000 investment in the income debentures of Civic Center Redevelopment Corporation to the Anheuser-Busch Charitable Trust in equal annual amounts of \$1,237,500, 1965 through 1968. The contribution is being deferred for book purposes and written off over the 10 year period ending in 1974.

NOTE 3 — STOCK OPTIONS:

Under the 1955 stock option plan (which has been terminated and under which no further options may be granted), options granted to officers and key employees covering 88,514 shares of common stock remain outstanding at December 31, 1967. These options, which expire in 1969 and 1971, are priced at 95% or 100% of the fair market value at the date granted and range in price from \$24.15 to \$29.94 per share. During 1967, options covering 41,445 shares were exercised at prices ranging from \$16.63 to \$31.42 per share. Options covering 76,780 shares were exercisable at December 31, 1967.

The shareholders, at the annual meeting in 1967, adopted a new stock option plan which conforms to the requirements of the Revenue Act of 1964, and reserved 536,162 shares of common stock for issuance to officers and key employees. Options granted under this plan expire in 1972 and the option price is 100% of fair market value of the shares at the date granted. At December 31, 1967, options covering 82,750 shares at the price of \$81.50 per share were outstanding, none of which were exercisable at that date.

Proceeds from the sale of common stock under the plan totaled \$1,068,539 of which \$985,651, representing the excess

of option prices over par value, has been credited to capital in excess of par value.

NOTE 4 — RETAINED EARNINGS RESTRICTION:

The indentures under which the Company's long-term debt is issued contain provisions which limit the amount of retained earnings available for cash dividends. Under the most restrictive of these provisions, retained earnings at December 31, 1967 were restricted to the extent of \$70,280,000 against the payment of cash dividends.

NOTE 5 — PENSION PLANS:

The Company has several pension plans covering substantially all of its employees. The total pension expense was \$5,972,000 in 1967 and \$4,421,000 in 1966. Salaried employees are covered under a trustee pension plan which was fully funded at December 31, 1967. Pension plans have been adopted for hourly-paid employees under agreements with the unions representing such employees. Obligations for contributions under these pension plans are based on an amount per employee as defined in the various labor agreements. The Company follows the practice of funding all pension costs accrued.

NOTE 6 — DEPRECIATION:

The provision for depreciation amounted to \$23,523,698 in 1967 and \$18,955,224 in 1966. Depreciation is computed principally on the sum-of-the-years-digits method for property acquired after December 31, 1953 and on the straight-line method for property acquired prior to that date.

NOTE 7 — COMMITMENTS AND CONTINGENCIES:

In connection with the plant expansion and improvement program, the Company has commitments for capital expenditures totaling about \$61,600,000 at December 31, 1967.

On January 11, 1967, Beverage Distributors, Inc. (a former wholesaler of the Company whose relationship was on an order to order basis, terminable at the will of either party) filed suit against the Company because of its termination as a wholesaler on December 21, 1966. Beverage Distributors, Inc. requests a permanent injunction against the Company restraining it from fixing prices charged to Beverage Distributors, Inc. by the Company's wholesalers; persuading other brewers and wholesalers to refuse to sell beer to Beverage Distributors, Inc. and conspiring with others to prohibit the sale of beer to Beverage Distributors, Inc. Damages are also claimed in the sum of \$20,000,000. The Company believes the suit is without merit and has taken steps to defend it.

The Company was defendant in certain other lawsuits at December 31, 1967, the ultimate outcome of which cannot be determined at this time. The Company's liability under such suits, if any, would not materially affect its financial condition or operations.

Making Friends through...

ADVERTISING

Making Friends for Anheuser-Busch and its products is our business. Certainly, the efforts put forth to tell customers about the quality ingredients, careful processing, and brewing skill rank among the most important we can undertake.

Probably the most visible and most powerful spokesman in this area is advertising. Of course, merchandising and sales promotion play an important part in the total marketing effort, but to our millions of customers, advertising is the most visible, most of the time.

Greater utilization of improved research techniques has taken much of the "guesswork" out of advertising and has resulted in lower expenditures and increased efficiency; nevertheless, much experience and talent must still be employed in the planning and the design of an advertising campaign. Selection of the proper media, to reach the right audience, at the right time, with a selling message takes the skill of many people both inside the company and at its agencies.

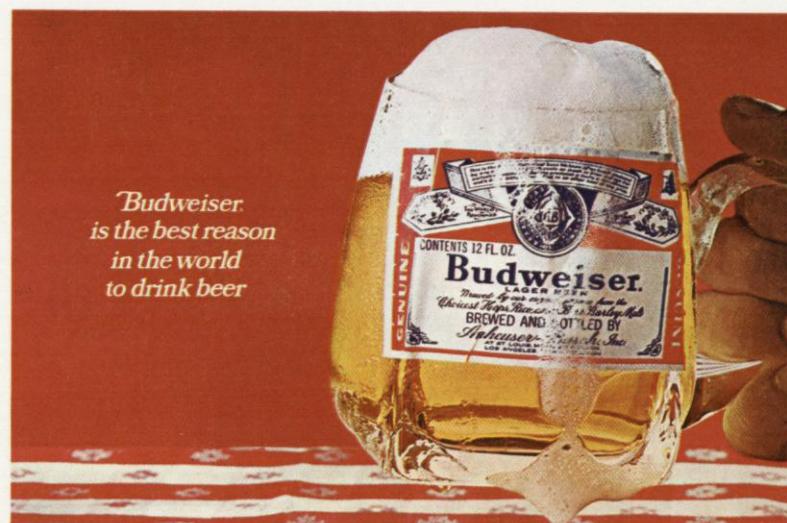
We reach people when they are most receptive to our message . . . through magazines as they enjoy leisure hours, as well as through spot television and radio when an adult audience is apt to be watching and listening. Hour-long TV spectaculars have won awards of excellence, and Johnny Carson and Ed McMahon are powerful salesmen for Anheuser-Busch to a sophisticated late-night audience.

Sports broadcasts of professional baseball and basketball reach a segment of consumers that has long been identified as beer enthusiasts.

Words, color and sound are skillfully combined to tell the particular story of each of our distinctive brands. Throughout these messages there is one continuous theme...one aim: "making friends..."

Did the customer get our message? We think so. While advertising alone certainly wasn't responsible for the 15,500,000 barrels of our beers sold this year, it is a powerful partner on the best beer selling team in the world.

Budweiser advertising has a taste, smoothness, and flavor all it's own.





It's unusual for a premium-priced product to lead the field in sales. But Budweiser does exactly that. Bud is the largest-selling beer in America, even though it usually costs more than the "popular-priced" brands.

Obviously, it takes a superior product to perform like that, year after year. And without question, Bud is a quality product...literally "*brewed* to be the King of Beers." The basic job of Budweiser advertising is to communicate this superiority to the consumer.

Budweiser advertising has been communicating this clear-cut personality ever since the brand was introduced in 1876. Mention Budweiser and people think of many things beyond Beechwood Ageing and the beer itself...such things as:

The world-famous Budweiser Clydesdales.

The marvelously ever-old yet ever-new Budweiser label.

Breweries that have become major tourist attractions...and fascinating Busch Gardens at Tampa and Los Angeles.

Each of these Budweiser "trade-marks" plays its part in Budweiser advertising "spectaculars"...in full-color magazine spreads, on radio as well as in TV commercials and specials.

Over the years, Budweiser advertising itself has also created a number of unique symbols that have become part of the brand's personality...beginning with prints of the famous painting, "Custer's Last Fight," used to publicize the King of Beers in taverns all across America.

In the early 1900s, it was the famous "Budweiser Girls." Today it's Ed McMahon, Budweiser spokesman on the Johnny Carson "Tonight Show"...and Frank Sinatra, appearing on television specials and in Bud commercials. Each artist is selected for his ability to add to the image of the brand. And each message is judged on the basis of its power to enhance the stature of the King of Beers.

Obviously, many factors have contributed to making Budweiser the best reason in the world to drink beer. Advertising is just one of them. But just as obviously, America's beer drinkers *have* been getting the message!



"In beer, going first class is MICHELOB. Period."

That's the message for Michelob in 1968. It's right to the point: Michelob is as fine a beer as you can buy anywhere in the world. Period. All year long people will be getting the message...on radio and television, in national and regional magazine ads and in newspapers. Just follow the line as we lead you through a few highlights of Michelob advertising for 1968.



A 1968 magazine ad.
Time, Look, Sports
Illustrated, Playboy,
Esquire. 67,105,000
consumer impressions.
Extra points for clean
format and fun idea.

"START" (JANUARY)



NETWORK TV!

Michelob will co-sponsor 11
PGA Golf Tournaments and
the World Series of Golf.
FORE!



GO TO TAVERN!

GO DIRECTLY TO
TAVERN FOR
DRAUGHT MICHELOB.



STOP!
radio listeners in their
tracks. Extra points for
award-winning format
and distinctive voice
of Paul Richards.



What more can we say?

GO TO EUROPE!

(That's where you can get
the world's best imported
beer...**Michelob!** Brewed in
U.S.A....imported in Europe!)



Add 39,714,000 more impressions.



By December
7,376,802,000 impressions
on beerdrinkers from
coast to coast...
in all major media!

"FINISH"

Busch advertising points out unique brewing processes in popular-priced field.



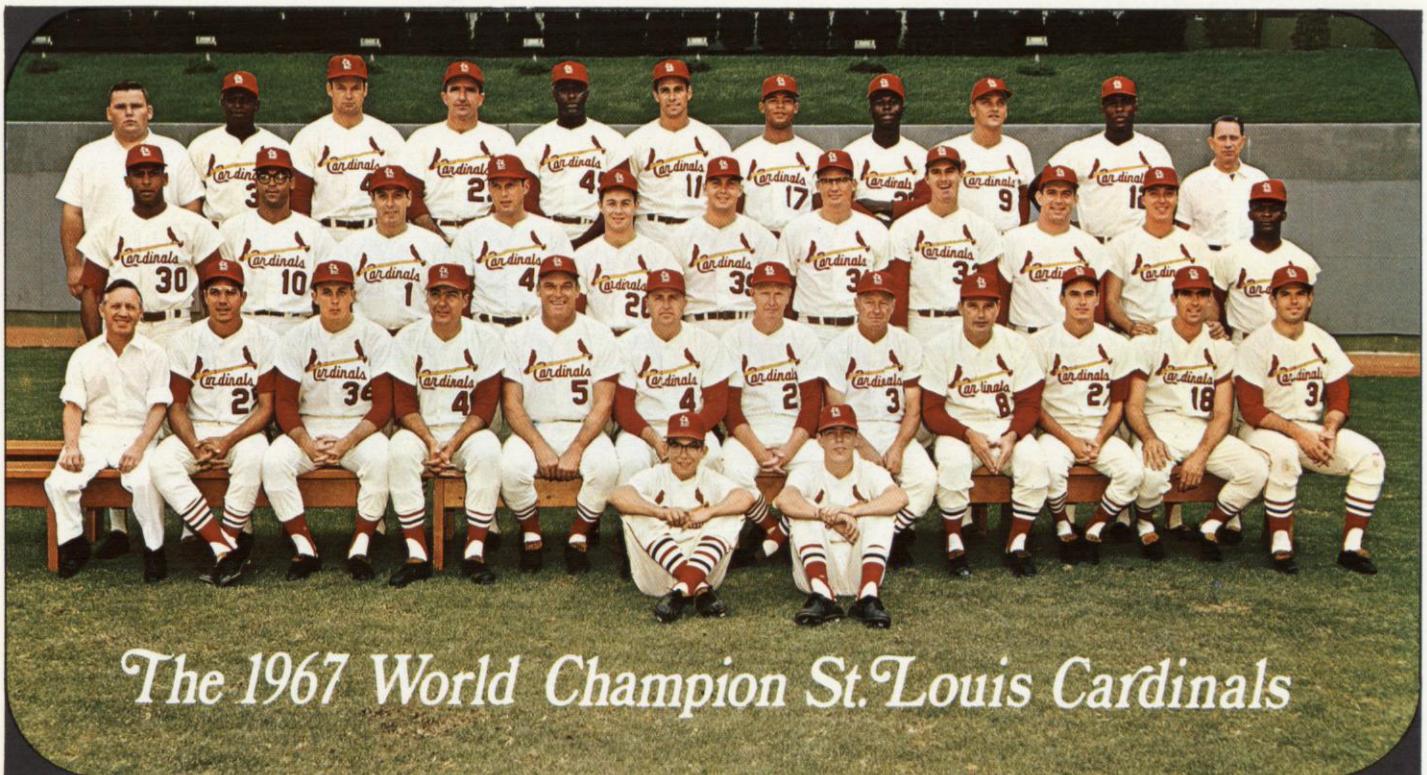
BUSCH is brewed more like a premium beer... using only the finest ingredients and a special carbonation process which we call "in-brewing". Instead of adding the carbonation (as most brewers do), Busch *brews it in*. It takes longer to do it this way... but it makes a better, more satisfying beer for the consumer. Because of the costly ingredients and the "in-brewing" process, we call Busch "the best popular-priced beer in America". And it is.

BUSCH television and radio advertising is designed to explain these unique differences in an interesting manner to the public...to inform people that, in Busch, they are getting a superior beer at the same cost as other popular-priced beers. We invite them to visit our breweries to prove it to themselves... to see why Busch is the best popular-priced beer in America. This is our most convincing advertising... for we have learned that our brewery guests almost invariably become Anheuser-Busch customers.

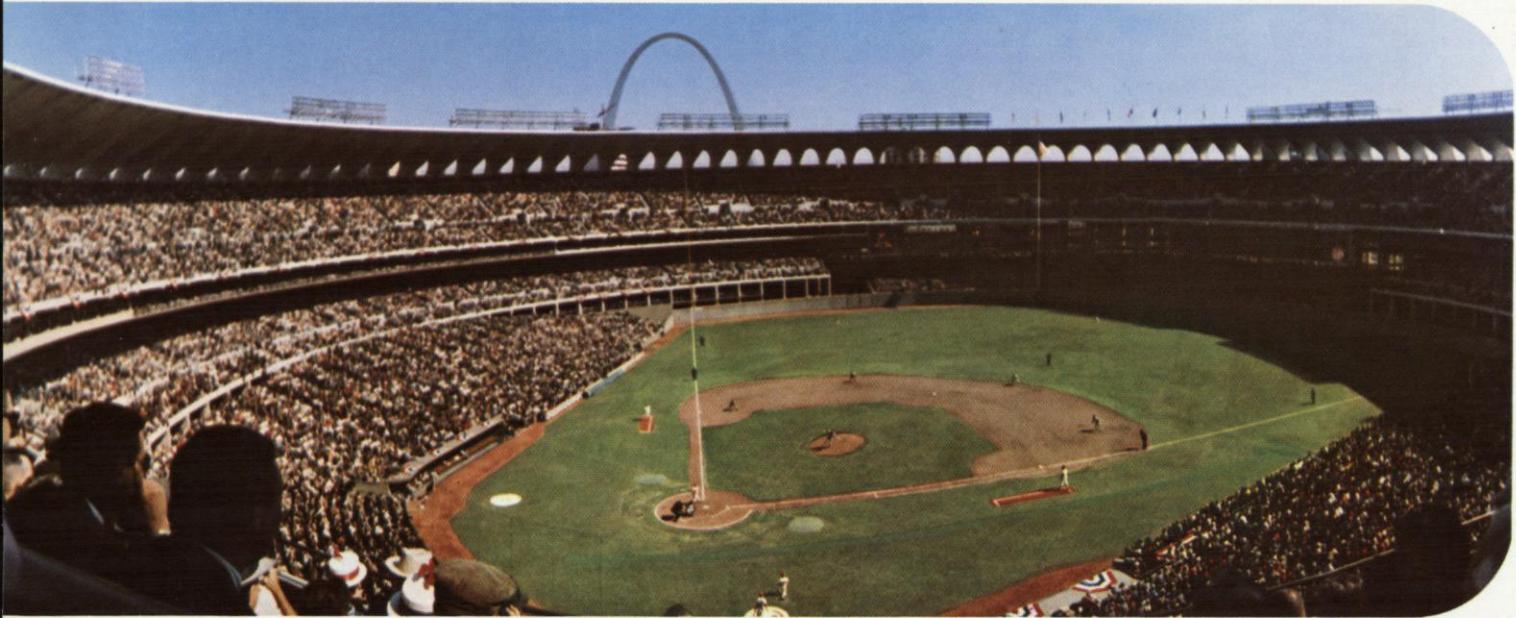


While most Busch advertising is delivered via spot radio and television, sports sponsorships are another important avenue for reaching beer drinkers with Busch messages. We have found that most of the people who enjoy sports also enjoy beer. Radio coverage of the St. Louis Cardinals (one of the most extensive regional baseball networks in the United States), and additional radio and TV broadcasting of the St. Louis Hawks and California Angels games are some of the very special ways that Busch advertising makes friends.

Busch. Best popular-priced beer in America.



The 1967 World Champion St. Louis Cardinals



Civic Center Busch Memorial Stadium in St. Louis as it looked during the World Series games in 1967.



The St. Louis Cardinals, world champions of baseball, enjoyed outstanding support from fans in 1967. A total of 2,090,145 saw the team play in Civic Center Busch Memorial Stadium during the regular season.

For the first time since the Club was bought by Anheuser-Busch in 1953, earnings of the Cardinals are consolidated this year with those of the Company. Cardinal earnings in 1967 amounted to \$881,535, or 8¢ per share.

Industrial Products Division. The products of this Division are used extensively by the baking and food processing industries as well as in the manufacturing and processing of paper, textiles, and in the drilling of oil wells. In addition to the packaged products, the company's corn syrup and starches are sold by the carload.



Consumer Products Division. The company's line of table syrup, laundry starch, and fabric finish is sold at retail through grocery stores.

Lafayette, Ind., Corn Processing Plant. This facility went into operation in 1967 and is operating at full capacity, grinding 25,000 bushels of corn per day.





Tournament of Roses Parade Entry

"THE WONDERFUL WORLD OF WINTER"

Entered for the City of St. Louis, January 1, 1968

The City of St. Louis entry was judged the best float in the parade from a city outside California with a population of more than 600,000 persons.

The St. Louis float was drawn by the Anheuser-Busch Clydesdale eight-horse hitch. The entry consisted of a sleigh in the foreground, with snowdrifts, spruce and pine trees and a portable skating rink and skaters on the back of the float. Riding in the sleigh were Cardinals Manager Red Schoendienst, his wife and four children, and the Cardinals star left fielder Lou Brock and his wife.